

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



COUNTY OF SUTTER  
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE  
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-069

FOR THE FISCAL PERIOD  
JULY 1, 2004 THROUGH JUNE 30, 2007

COUNTY OF SUTTER  
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE  
PIERCE'S DISEASE CONTROL CONTRACT

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AUDIT REPORT NUMBER  
08-069

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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE  
A. G. Kawamura, Secretary

Mr. Mark P. Quisenberry  
Agricultural Commissioner, Sealer of Weights and Measures  
County of Sutter  
142 Garden Highway  
Yuba City, CA 95991-5512

### INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office to perform a contract compliance audit of three contracts with the County of Sutter (County), County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 04-0624, 05-0376, and 06-0383 for the 2004/2005, 2005/2006 and 2006/2007 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided three recommendations to improve the compliance of the County. The County must respond in writing to these findings and recommendations.

For Ron Shackelford, CPA  
Chief, Audit Office

February 13, 2008



### CONCLUSION

We recommend that the PDCP accept the charges as billed to the program by the County during fiscal year 2004/2005 for contract #04-0624, fiscal year 2005/2006 for contract #05-0376, and fiscal year 2006/2007 for contract #06-0383. On a go forward basis, the County should bill the program for the actual pay rate earned by employees, calculate staff benefits on actual costs, and improve its supporting documentation for claimed vehicle mileage in accordance with the requirements of the contract and Title 2 of the Code of Federal Regulations Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225), or risk the possibility of a portion of these costs being disallowed.

## AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT

### REPORTABLE CONDITIONS

#### EMPLOYEE PAY RATES

Title 2 of the Code of Federal Regulations Part 225, "Cost Principles for State and Local Governments", (2 CFR 225) specifies that charges to Federal awards for salaries and wages are allowable to the extent the total compensation for individual employees (1) is reasonable for the services rendered and confirms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities, (2) follows an appointment made in accordance with a governmental unit's laws and rules, and meets merit system or other requirements required by Federal law, and (3) is determined and supported as provided in subsection h, Support of Salaries and Wages.

A review of the County payroll documents and billing records revealed that the CAC did not always use actual hourly rates when seeking reimbursement from the PDCP for its personnel services costs. The middle fiscal year appears to have reverted to an old spreadsheet template, which resulted in the pay rates being under-billed the entire fiscal year of 2005/2006. Therefore, the use of these rates caused the CAC to invoice the PDCP for costs less than the amount actually incurred.

#### *Recommendation*

- 1. The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the job classification's hourly rate.*

#### STAFF BENEFIT RATES

2 CFR 225 states that the cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group of employees whose salaries and wages are chargeable to such Federal awards and other activities.

If the CAC uses a flat percentage rate for benefits, it should be based on some reasonable averaged basis. Two different methods that are commonly used for determining an acceptable rate are: (1) a simple average for the Agriculture Department on a whole, and (2)

a modified weighted average based on classifications billed to the Program. Both of these methods use prior year actual expenditures in their percentage calculation.

The CAC's current method of billing the program for staff benefits does not comply with existing federal requirements. The CAC determined its staff benefit percentage rate for permanent and extra help employees by forecasting costs using budget rather than actual costs in two of the three fiscal years; the third fiscal year used actual costs. Although we recalculated the CAC's staff benefit percentage for the three fiscal years, the differences are not materially significant.

#### *Recommendation*

- 2. The CAC should ensure that staff benefit rates are calculated upon actual costs and are adequately supported with the required documentation specified in 2 CFR 225. This documentation will mitigate the possibility of the Program disallowing claimed expenses in the future.*

## **VEHICLE MILEAGE**

The County's supporting documentation for vehicle mileage claimed against the federal award should be improved in order for the County to be in full compliance with 2 CFR 225. Currently, employees reflect only the total miles traveled in performing contracted services on the daily trapping summary. The reports did not include a beginning or ending odometer reading or the locations visited, but instead included a daily total without an independent basis for validation. Therefore, we cannot determine whether the mileage claimed against all three contracts is fully appropriate. While the overall differences were minor for the periods tested, continued problems could result in the State disallowing reimbursement for mileage costs that cannot be supported.

#### *Recommendation*

- 3. The CAC should improve its accounting over employee mileage costs invoiced for reimbursement by requiring employees to record either the premises visited or the beginning and ending odometer readings on daily activity reports. This will mitigate the possibility of the State disallowing claimed mileage.*

**COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE**



OFFICE OF THE  
**AGRICULTURAL COMMISSIONER**  
**SEALER OF WEIGHTS & MEASURES**

MARK P. QUISENBERRY  
Agricultural Commissioner  
Sealer of Weights and Measures

MARK BROWN  
Assistant Agricultural Commissioner  
Assistant Sealer of Weights and Measures

May 23, 2008

Mr. Ron Shackelford, CPA  
Chief, Audit Office  
California Department of Food and Agriculture  
1220 N Street, Room 344  
Sacramento, CA 95814

Dear Mr. Shackelford:

Re: Pierce's Disease Control Contract, Audit Report Number 08-069

I've included the comments and responses below. Please see the enclosed documents for further clarification.

1. *The CAC should comply with 2 CFR 225 by ensuring all hourly rates billed to the PDCP for contracted work reflect the employee's actual hourly rate incurred as specified within the County's payroll records.*

The error reported under this section was limited to FY 2005/06 only. Since FY 2005/06 I have used and will continue to use actual payroll record data to compute hourly staff rates billed to the Program.

2. *The CAC should ensure that staff benefit rates are calculated upon actual costs and are adequately supported with the required documentation specified in 2 CFR 225. This documentation will mitigate the possibility of the Program disallowing claimed expenses in the future.*

On March 1, 2008 I began utilizing a flat percentage rate for staff benefits based on a three year simple average of actual costs, derived from the three prior fiscal years (See FY 2007-08 Benefit Rate Worksheet).

3. *The CAC should improve its accounting over employee mileage costs invoiced for reimbursement by requiring employees to record either the premises visited or the beginning and ending odometer readings on daily activity reports. This will mitigate the possibility of the state disallowing claimed mileage.*

I now require employees to track billable mileage for their daily Pierce's Disease Program activity on two separate reports/forms: (1) GWSS Daily Trapping Summary and (2) Nursery Inspections. Beginning March 1, 2008 we added odometer readings to our daily reports (See GWSS Shipment Log & Daily Trapping Summary). We will also be migrating to a new daily timekeeping system on July 1, 2008. This new system will capture program mileage by program on a daily basis (see Employee Daily Activities).

If you have any further questions please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mark P. Quisenberry', with a long horizontal flourish extending to the right.

Mark P. Quisenberry  
Agricultural Commissioner,  
Sealer of Weights & Measures

enclosures

### **CDFA EVALUATION OF RESPONSE**

A draft copy of this report was forwarded to the management of the County of Sutter County Agricultural Commissioner, Yuba City, California, for its review and response. We have reviewed the response, as well as the enclosures included with the response, and it addresses the findings contained in this report.

### **DISPOSITION OF AUDIT RESULTS**

The findings in this audit report are based on fieldwork that my staff performed between February 11, 2008 and February 13, 2008. My staff met with management on February 13, 2008 to discuss the findings and recommendations, as well as, other issues.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, once finalized this report is a matter of public record and its distribution is not limited.

**REPORT DISTRIBUTION**

<u>Number</u>	<u>Recipient</u>
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office